

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS

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FINANCIAL STATEMENTS  
(with Independent Auditors' Report thereon)

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For the Year Ended June 30, 2010

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UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
FINANCIAL STATEMENTS  
Year ended June 30, 2010

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# *Kramer & Associates CPAs, LLC*

*Making the right move for your business*

*Tony Kramer, CPA  
Joseph J. Wood, CPA  
Deb Taylor, CPA  
Megan Todd, CPA  
Amy Schwinn, CPA  
Sherrie Hodges, CPA*

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Unified School District No. 406,  
Wathena, Kansas

We have audited the accompanying financial statements of Unified School District No. 406, Wathena, Kansas, as of and for the year ended June 30, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2009. In our report dated December 3, 2009 on these financial statements, we expressed an adverse opinion as to the presentation on the basis of generally accepted accounting principles and an unqualified opinion as to the presentation on the Kansas prescribed basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, Unified School District No. 406, Wathena, Kansas, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 406, Wathena, Kansas, as of June 30, 2010, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Unified School District No. 406, Wathena, Kansas, as of June 30, 2010, and its cash receipts and expenditures, and budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The additional information on pages 37 - 38 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, on the basis of accounting described in Note 1, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Board of Education and committees thereto, management, federal awarding agencies, the Kansas Division of Accounts and Reports, and the Kansas State Department of Education and is not intended and should not be used by anyone other than these specified parties.

*KRAMER & ASSOCIATES CPAs, LLC*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
December 13, 2010

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
Year ended June 30, 2010

Funds	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
<b>Governmental type funds:</b>							
General fund	\$ (242,118)	\$ -	\$ 3,053,890	\$ 3,121,299	\$ (309,527)	\$ 9,573	\$ (299,954)
Supplemental general	(58,740)	-	495,886	486,630	(49,484)	1,509	(47,975)
Special revenue funds:							
Capital outlay	505,786	-	145,946	111,730	540,002	31,136	571,138
Driver training	701	-	5,288	5,159	830	475	1,305
Food service	28,189	-	235,042	224,585	38,646	65	38,711
Professional development	20,494	-	-	7,674	12,820	-	12,820
Special education	72,094	-	570,445	552,118	90,421	-	90,421
At risk (4 year olds)	-	-	30,579	30,579	-	-	-
At risk	-	-	175,422	175,422	-	-	-
Vocational education	-	-	70,402	70,402	-	234	234
KPERS special retirement contributions	-	-	152,475	152,475	-	-	-
Textbook rental	13,779	-	17,608	4,176	27,211	-	27,211
Contingency reserve	173,158	-	37,000	-	210,158	-	210,158
Scholarship fund	1,431	-	6	1,437	-	-	-
Federal funds	637	-	120,986	121,123	500	7,142	7,642
Grant funds	136,600	-	12,714	5,203	144,111	-	144,111
Joint recreation commission	-	-	52,635	52,635	-	-	-
Gate receipts	5,401	-	32,302	31,700	6,003	-	6,003
School projects	21,136	-	40,331	42,403	19,064	-	19,064
Component unit:							
Wathena Joint Recreation Commission	33,617	-	168,879	169,825	32,671	-	32,671
Total reporting entity	\$ 712,165	\$ -	\$ 5,417,836	\$ 5,366,575	\$ 763,426	\$ 50,134	\$ 813,560
(excluding agency fund)							
Composition of cash:							
				Checking			\$ (85,012)
				Checking - activity accounts			64,017
				Petty cash			1,500
				Certificates of deposit			839,334
				Component unit			32,671
				Total cash			852,510
				Less agency funds			(38,950)
				Total reporting entity			
				(excluding agency funds)			\$ 813,560

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
Year ended June 30, 2010

Funds	Certified budget	Adjustment to comply with legal max	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance - over (under)
Governmental type funds:						
General fund	\$ 3,232,675	\$ (136,813)	\$ 25,437	\$ 3,121,299	\$ 3,121,299	\$ -
Supplemental general	\$ 486,630	\$ -	\$ -	\$ 486,630	\$ 486,630	\$ -
Special revenue funds:						
Capital Outlay	\$ 544,906	\$ -	\$ -	\$ 544,906	\$ 111,730	\$ 433,176
Driver training	\$ 14,200	\$ -	\$ -	\$ 14,200	\$ 5,159	\$ 9,041
Food service	\$ 266,941	\$ -	\$ -	\$ 266,941	\$ 224,585	\$ 42,356
Professional development	\$ 20,155	\$ -	\$ -	\$ 20,155	\$ 7,674	\$ 12,481
Special education	\$ 711,071	\$ -	\$ -	\$ 711,071	\$ 552,118	\$ 158,953
At risk (4 year olds)	\$ 70,056	\$ -	\$ -	\$ 70,056	\$ 30,579	\$ 39,477
At risk	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ 175,422	\$ 24,578
Vocational education	\$ 112,000	\$ -	\$ -	\$ 112,000	\$ 70,402	\$ 41,598
KPERS special retirement contributions	\$ 170,463	\$ -	\$ -	\$ 170,463	\$ 152,475	\$ 17,988
Federal funds	\$ 139,973	\$ -	\$ -	\$ 139,973	\$ 121,123	\$ 18,850
Joint recreation commission	\$ 52,790	\$ -	\$ -	\$ 52,790	\$ 52,635	\$ 155

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 GENERAL FUND  
 Year ended June 30, 2010

		Current year		
	Prior year actual	Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 11,267	\$ 9,646	\$ 17,279	\$ (7,633)
Ad valorem property - current taxes	279,992	280,334	291,062	(10,728)
Delinquent	3,840	4,311	8,687	(4,376)
State aid:				
Equalization aid	2,593,732	2,214,817	2,345,344	(130,527)
Special education services	347,379	375,445	425,000	(49,555)
Federal aid:				
ARRA stabilization	-	143,900	143,900	-
Reimbursed expenses	40,365	25,437	-	25,437
Total cash receipts	<u>3,276,575</u>	<u>3,053,890</u>	<u>\$ 3,231,272</u>	<u>\$ (177,382)</u>
Expenditures and transfers subject to budget:				
Instruction	1,395,111	1,330,558	\$ 1,333,179	\$ 2,621
Student support services	58,429	44,615	59,325	14,710
Instructional support staff	212,510	178,606	184,500	5,894
General administration	131,796	113,452	128,400	14,948
School administration	287,229	248,303	286,200	37,897
Central services	39,852	31,148	39,375	8,227
Operations and maintenance	343,318	290,990	314,800	23,810
Student transportation services	100,103	87,999	102,000	14,001
Transfers out	714,817	795,628	784,896	(10,732)
Adjustment to comply with legal max	-	-	(136,813)	(136,813)
Legal general fund budget	<u>3,283,165</u>	<u>3,121,299</u>	<u>3,095,862</u>	<u>(25,437)</u>
Adjustment for qualifying budget credits:				
Reimbursements	<u>-</u>	<u>-</u>	<u>25,437</u>	<u>25,437</u>
Total expenditures and transfers subject to budget	<u>3,283,165</u>	<u>3,121,299</u>	<u>\$ 3,121,299</u>	<u>\$ -</u>
Receipts over (under) expenditures	(6,590)	(67,409)		
Unencumbered cash, beginning of year	<u>(235,528)</u>	<u>(242,118)</u>		
Unencumbered cash, end of year	<u>\$ (242,118)</u>	<u>\$ (309,527)</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 SUPPLEMENTAL GENERAL FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 6,526	\$ 6,733	\$ 12,232	\$ (5,499)
Ad valorem property - current taxes	177,598	182,577	176,640	5,937
Delinquent	2,360	2,706	5,543	(2,837)
Motor vehicle	23,417	25,793	31,074	(5,281)
Recreational vehicle	335	505	462	43
State aid:				
Equalization aid	292,455	210,827	257,700	(46,873)
Federal aid:				
ARRA stabilization	—	66,745	—	66,745
Total cash receipts	502,691	495,886	\$ 483,651	\$ 12,235
Expenditures and transfers subject to budget:				
Instruction	254,215	209,206	\$ 176,945	\$ (32,261)
General administration	209	—	309	309
Operations and maintenance	26,786	18,486	22,486	4,000
Transfers out	268,789	258,938	286,890	27,952
Adjustment to comply with legal max	—	—	—	—
Legal supplemental general fund budget	549,999	486,630	486,630	—
Adjustment for qualifying budget credits:				
Reimbursements	—	—	—	—
Total expenditures and transfers subject to budget	549,999	486,630	\$ 486,630	\$ —
Receipts over (under) expenditures	(47,308)	9,256		
Unencumbered cash, beginning of year	(11,432)	(58,740)		
Unencumbered cash, end of year	\$ (58,740)	\$ (49,484)		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 CAPITAL OUTLAY FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Investment income	\$ 32,622	\$ 19,668	\$ 27,000	\$ (7,332)
Other revenue from local sources	3,991	9,498	4,200	5,298
Transfers in:				
General fund	24,251	116,780	25,000	91,780
Total cash receipts	60,864	145,946	\$ 56,200	\$ 89,746
Expenditures subject to budget:				
Instruction	28,781	7,747	\$ 200,000	\$ 192,253
Student support services	-	-	50,000	50,000
Instructional support staff	-	-	50,000	50,000
General administration	-	-	25,000	25,000
School administration	-	-	25,000	25,000
Central services	-	-	25,000	25,000
Operations and maintenance	-	6,323	50,000	43,677
Student transportation services	14,130	-	25,000	25,000
Other support services	-	-	25,000	25,000
Facilities acquisition and construction	13,600	97,660	69,906	(27,754)
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	56,511	111,730	\$ 544,906	\$ 433,176
Receipts over (under) expenditures	4,353	34,216		
Unencumbered cash, beginning of year	501,433	505,786		
Unencumbered cash, end of year	\$ 505,786	\$ 540,002		

The accompanying notes are an integral  
 part of the financial statements.



UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 DRIVER TRAINING FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
Driver training	\$ 1,178	\$ 800	\$ 1,250	\$ (450)
Other revenue from local sources	800	550	2,500	(1,950)
Transfers in:				
General fund	475	-	-	-
Supplemental general fund	-	3,938	9,750	(5,812)
Total cash receipts	<u>2,453</u>	<u>5,288</u>	<u>\$ 13,500</u>	<u>\$ (8,212)</u>
Expenditures subject to budget:				
Instruction	6,914	4,249	\$ 13,200	\$ 8,951
Operations and maintenance	870	910	1,000	90
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	<u>7,784</u>	<u>5,159</u>	<u>\$ 14,200</u>	<u>\$ 9,041</u>
Receipts over (under) expenditures	(5,331)	129		
Unencumbered cash, beginning of year	<u>6,032</u>	<u>701</u>		
Unencumbered cash, end of year	<u>\$ 701</u>	<u>\$ 830</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FOOD SERVICE FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
National school lunch/breakfast program	\$ 82,871	\$ 91,016	\$ 82,870	\$ 8,146
State aid:				
School food assistance	2,555	2,418	2,585	(167)
Charge for services	97,692	86,869	90,887	(4,018)
Miscellaneous	1,468	4,739	3,500	1,239
Transfers in:				
Supplemental general fund	67,913	50,000	58,913	(8,913)
Total cash receipts	<u>252,499</u>	<u>235,042</u>	<u>\$ 238,755</u>	<u>\$ (3,713)</u>
Expenditures subject to budget:				
Operations and maintenance	309	37	\$ 341	\$ 304
Food service operations	250,507	224,548	266,600	42,052
Adjustment for qualifying budget credits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures subject to budget	<u>250,816</u>	<u>224,585</u>	<u>\$ 266,941</u>	<u>\$ 42,356</u>
Receipts over (under) expenditures	1,683	10,457		
Unencumbered cash, beginning of year	<u>26,506</u>	<u>28,189</u>		
Unencumbered cash, end of year	<u>\$ 28,189</u>	<u>\$ 38,646</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 PROFESSIONAL DEVELOPMENT FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
Inservice aid	\$ 1,256	\$ -	\$ -	\$ -
Total cash receipts	1,256	-	-	-
Expenditures subject to budget:				
Instructional support staff	9,202	7,674	\$ 20,155	\$ 12,481
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	9,202	7,674	\$ 20,155	\$ 12,481
Receipts over (under) expenditures	(7,946)	(7,674)		
Unencumbered cash, beginning of year	28,440	20,494		
Unencumbered cash, end of year	\$ 20,494	\$ 12,820		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES -- ACTUAL AND BUDGET  
 SPECIAL EDUCATION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 347,379	\$ 375,445	\$ 425,000	\$ (49,555)
Supplemental general fund	163,876	195,000	213,977	(18,977)
Total cash receipts	511,255	570,445	\$ 638,977	\$ (68,532)
Expenditures subject to budget:				
Instruction	491,378	552,118	\$ 711,071	\$ 158,953
Adjustment for qualifying budget credits	—	—	—	—
Total expenditures subject to budget	491,378	552,118	\$ 711,071	\$ 158,953
Receipts over (under) expenditures	19,877	18,327		
Unencumbered cash, beginning of year	52,217	72,094		
Unencumbered cash, end of year	\$ 72,094	\$ 90,421		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK (4 YEAR OLDS)  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 27,959	\$ 30,579	\$ 70,056	\$ (39,477)
Supplemental general fund	5,000	-	-	-
Total cash receipts	32,959	30,579	\$ 70,056	\$ (39,477)
Expenditures subject to budget:				
Instruction	32,959	30,579	\$ 70,056	\$ 39,477
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	32,959	30,579	\$ 70,056	\$ 39,477
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 AT RISK FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 146,121	\$ 175,422	\$ 200,000	\$ (24,578)
Supplemental general fund	22,000	-	-	-
Total cash receipts	<u>168,121</u>	<u>175,422</u>	<u>\$ 200,000</u>	<u>\$ (24,578)</u>
Expenditures subject to budget:				
Instruction	168,121	126,646	\$ 200,000	\$ 73,354
Student support services	-	14,714	-	(14,714)
School administration	-	26,049	-	(26,049)
Central services	-	8,013	-	(8,013)
Adjustment for qualifying budget credits:	-	-	-	-
Total expenditures subject to budget	<u>168,121</u>	<u>175,422</u>	<u>\$ 200,000</u>	<u>\$ 24,578</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 VOCATIONAL EDUCATION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Transfers in:				
General fund	\$ 101,109	\$ 60,402	\$ 102,000	\$ (41,598)
Supplemental general fund	10,000	10,000	10,000	-
Total cash receipts	111,109	70,402	\$ 112,000	\$ (41,598)
Expenditures subject to budget:				
Instruction	111,109	70,402	\$ 112,000	\$ 41,598
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	111,109	70,402	\$ 112,000	\$ 41,598
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
State aid:				
KPERS retirement contributions	\$ 149,529	\$ 152,475	\$ 170,463	\$ (17,988)
Total cash receipts	149,529	152,475	\$ 170,463	\$ (17,988)
Expenditures subject to budget:				
Instruction	106,728	103,964	\$ 112,000	\$ 8,036
Student support services	6,590	5,287	7,500	2,213
Instructional support staff	3,400	6,059	5,000	(1,059)
General administration	4,300	6,101	6,063	(38)
School administration	9,000	14,867	12,000	(2,867)
Central services	4,400	3,913	6,400	2,487
Operations and maintenance	12,500	12,103	15,000	2,897
Student transportation services	-	-	2,000	2,000
Employee benefits	2,611	181	-	(181)
Food service operations	-	-	4,500	4,500
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures subject to budget	149,529	152,475	\$ 170,463	\$ 17,988
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral  
 part of the financial statements.



UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 TEXTBOOK RENTAL FUND\*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Charge for services	\$ 17,129	\$ 17,608
Total cash receipts	<u>17,129</u>	<u>17,608</u>
Expenditures:		
Instruction	<u>25,759</u>	<u>4,176</u>
Total expenditures	<u>25,759</u>	<u>4,176</u>
Receipts over (under) expenditures	(8,630)	13,432
Unencumbered cash, beginning of year	<u>22,409</u>	<u>13,779</u>
Unencumbered cash, end of year	<u>\$ 13,779</u>	<u>\$ 27,211</u>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 CONTINGENCY RESERVE FUND\*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Transfers in:		
General fund	\$ 67,523	\$ 37,000
Total cash receipts	67,523	37,000
Expenditures:		
Community service operations	-	-
Total expenditures	-	-
Receipts over (under) expenditures	67,523	37,000
Unencumbered cash, beginning of year	105,635	173,158
Unencumbered cash, end of year	\$ 173,158	\$ 210,158

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 SCHOLARSHIP FUND\*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Revenue from other local sources	\$ 62	\$ 6
Total cash receipts	62	6
Expenditures:		
Scholarships	—	1,437
Total expenditures	—	1,437
Receipts over (under) expenditures	62	(1,431)
Unencumbered cash, beginning of year	1,369	1,431
Unencumbered cash, end of year	\$ 1,431	\$ —

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 FEDERAL FUNDS  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Federal aid:				
Title I	\$ 57,208	\$ 68,006	\$ 82,855	\$ (14,849)
Title II	22,415	22,688	21,683	1,005
Drug free	1,272	1,263	1,263	-
Rural education achievement program	28,976	28,529	31,000	(2,471)
School preparedness	-	500	-	500
Reimbursed expenses	55	-	-	-
Total cash receipts	109,926	120,986	\$ 136,801	\$ (15,815)
Expenditures subject to budget:				
Instruction	109,289	121,123	\$ 139,973	\$ 18,850
Total expenditures subject to budget	109,289	121,123	\$ 139,973	\$ 18,850
Receipts over (under) expenditures	637	(137)		
Unencumbered cash, beginning of year	-	637		
Unencumbered cash, end of year	\$ 637	\$ 500		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 GRANT FUNDS\*  
 Year ended June 30, 2010

	Prior year actual	Current year actual
Cash receipts:		
Revenue from other local sources	\$ 3,512	\$ 9,733
State aid	3,000	—
Interest on idle funds	4,896	2,981
	<hr/>	<hr/>
Total cash receipts	11,408	12,714
	<hr/>	<hr/>
Expenditures:		
Instruction	3,512	5,203
General administration	3,000	—
	<hr/>	<hr/>
Total expenditures	6,512	5,203
	<hr/>	<hr/>
Receipts over (under) expenditures	4,896	7,511
Unencumbered cash, beginning of year	131,704	136,600
	<hr/>	<hr/>
Unencumbered cash, end of year	\$ 136,600	\$ 144,111
	<hr/> <hr/>	<hr/> <hr/>

\* This fund is not required to be budgeted.

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 JOINT RECREATION COMMISSION FUND  
 Year ended June 30, 2010

	Prior year actual	Current year		
		Actual	Budget	Variance - over (under)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 1,751	\$ 1,530	\$ 43	\$ 1,487
Ad valorem property - current taxes	43,215	43,683	42,148	1,535
Delinquent	680	695	1,260	(565)
Motor vehicle	7,064	6,596	8,341	(1,745)
Recreational vehicle	102	131	124	7
Total cash receipts	<u>52,812</u>	<u>52,635</u>	<u>\$ 51,916</u>	<u>\$ 719</u>
Expenditures subject to budget:				
Community service operations	52,812	52,635	\$ 52,790	\$ 155
Adjustment for qualifying budget credits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures subject to budget	<u>52,812</u>	<u>52,635</u>	<u>\$ 52,790</u>	<u>\$ 155</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL

AGENCY FUNDS

Year ended June 30, 2010

	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
High school student activity funds:				
Art club	\$ 1,601	\$ 1,032	\$ 1,521	\$ 1,112
Baseball	—	3,349	2,845	484
Cheerleaders	745	11,750	10,124	2,371
Concessions	49	19,273	19,186	136
Dance team	2,853	5,164	5,923	2,094
FFA (Doniphan County fund)	494	—	—	494
WICA	1,031	—	—	1,031
Social committee	94	—	94	—
National honor society	154	32	171	15
SADD	358	5,508	5,195	671
Spanish club	26	—	—	26
School Spirit club	—	304	—	304
STUCO	3,404	5,486	8,014	876
Girls volleyball	75	3,998	3,824	249
W-Club	396	—	110	286
Math club	791	—	300	491
FACS Beef	—	250	130	120
FCCLA	215	942	303	854
Business club	1,562	240	754	1,048
Science club	430	541	566	405
KSTL - Kansas Student	1,044	—	—	1,044
FFA	2,005	5,821	5,208	2,618
Freshman class	1,149	675	—	1,824
Sophomore class	1,548	4,071	2,218	3,401
Junior class	3,177	9,641	8,960	3,858
Senior class	4,495	429	3,120	1,804
Graduated classes	1,283	—	—	1,283
Total high school student activity funds	28,979	78,506	78,586	28,899
Middle school student activity funds:				
Cheerleaders	138	6,707	1,813	5,032
Girls basketball	42	—	—	42
8th grade	557	220	99	678
7th grade	—	182	—	182
Total middle school student activity funds	737	7,109	1,912	5,934
Fees and user charges:				
Book rental	110	17,534	17,644	—
Welding	—	5	5	—
Athletic participation	—	3,530	3,530	—
Total fees and user charges	110	21,069	21,179	—
Other agency funds:				
Sales tax	71	5,275	5,270	76
Flexible spending	2,971	11,844	10,774	4,041
Subtotal other agency funds	3,042	17,119	16,044	4,117
Total agency fund	\$ 32,868	\$ 123,803	\$ 117,721	\$ 38,950

The accompanying notes are an integral  
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL  
DISTRICT ACTIVITY FUNDS  
Year ended June 30, 2010

	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
Gate receipts:						
High school athletics	\$ 5,093	\$ 31,779	\$ 31,119	\$ 5,753	\$ -	\$ 5,753
Play	308	523	581	250	-	250
Subtotal gate receipts	5,401	32,302	31,700	6,003	-	6,003
School projects:						
High school:						
Band	25	125	122	28	-	28
Yearbook	7,067	7,746	9,345	5,468	-	5,468
EmPower Plant Grant	69	-	69	-	-	-
SSR book buying fund	91	-	-	91	-	91
Greenhouse	42	-	-	42	-	42
Library science	2,500	-	1,250	1,250	-	1,250
Lift-a-thon	83	4,267	4,343	7	-	7
Vending	97	1,466	1,230	333	-	333
Art/history enrichment	234	11,116	11,300	50	-	50
Athletic improvement and equipment	3,257	840	-	4,097	-	4,097
Instructional supplies	124	2,511	2,116	519	-	519
Cultural	336	-	-	336	-	336
Renaissance	24	-	24	-	-	-
Student activities	1,431	964	1,713	682	-	682
Student need	214	70	128	156	-	156
Art supplies	3	-	3	-	-	-
Scholarship fund	150	150	-	300	-	300
Subtotal high school projects	15,747	29,255	31,643	13,359	-	13,359

The accompanying notes are an integral  
part of the financial statements.



UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH - ACTUAL  
 DISTRICT ACTIVITY FUNDS  
 Year ended June 30, 2010

School projects (continued):	Beginning unencumbered cash balance	Cash receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances and accounts payable	Ending cash balance
Elementary:						
Book fair	2,935	4,179	4,108	3,006	-	3,006
Townsend	-	360	360	-	-	-
Colin Johnston memorial	225	-	200	25	-	25
CATS	126	420	275	271	-	271
Yearbook	1,490	2,349	3,390	449	-	449
Vending	187	1,497	1,436	248	-	248
S.O.D.A.	426	435	362	499	-	499
Student activities	-	1,836	629	1,207	-	1,207
Subtotal elementary school projects	5,389	11,076	10,760	5,705	-	5,705
Total school projects	21,136	40,331	42,403	19,064	-	19,064
Total district activities	\$ 26,537	\$ 72,633	\$ 74,103	\$ 25,067	\$ -	\$ 25,067

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 COMPONENT UNIT - WATHENA JOINT RECREATION COMMISSION  
 Year ended June 30, 2010

	Current year actual			
	Operating	Baseball	Swimming Pool	Total
Cash receipts:				
Taxes	\$ 52,635	\$ —	\$ —	\$ 52,635
Concessions	—	13,316	3,307	16,623
Program fees	—	2,130	—	2,130
Gate receipts	—	—	11,038	11,038
Donations	1,250	7,727	—	8,977
Interest	1,629	—	—	1,629
Miscellaneous	—	7,684	200	7,884
Transfers in:				
Operating fund	—	38,440	24,675	63,115
Swimming pool fund	—	3,598	—	3,598
Baseball fund	—	—	1,250	1,250
Total cash receipts	<u>55,514</u>	<u>72,895</u>	<u>40,470</u>	<u>168,879</u>
Expenditures and transfers:				
Payroll and payroll taxes	—	26,881	21,126	48,007
Advertising	—	69	69	138
Concessions	—	13,940	6,603	20,543
Equipment and supplies	—	13,427	618	14,045
Insurance	—	6,387	—	6,387
Repairs and maintenance	—	4,221	80	4,301
Miscellaneous	17	378	140	535
Utilities	—	4,611	3,295	7,906
Transfers out	<u>63,115</u>	<u>1,250</u>	<u>3,598</u>	<u>67,963</u>
Total expenditures and transfers	<u>63,132</u>	<u>71,164</u>	<u>35,529</u>	<u>169,825</u>
Receipts over (under) expenditures	(7,618)	1,731	4,941	(946)
Unencumbered cash, beginning of year	<u>29,479</u>	<u>1,050</u>	<u>3,088</u>	<u>33,617</u>
Unencumbered cash, end of year	<u>\$ 21,861</u>	<u>\$ 2,781</u>	<u>\$ 8,029</u>	<u>\$ 32,671</u>

The accompanying notes are an integral  
 part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended June 30, 2010

1. Summary of significant accounting policies

a. Reporting entity

Unified School District No. 406, Wathena, Kansas, ("the District") is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 406, Wathena, Kansas (the primary government).

1. Discretely presented component unit

The component units section of the financial statements, Statement 6, includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District. The governing body of this component unit is composed of two members appointed by the District, two members appointed by the City of Wathena, and a fifth member appointed by the Board.

a. Recreation commission

The Wathena Joint Recreation Commission oversees recreational activities. The recreation commission operates as a separate governing body, but the District levies the taxes for the recreation commission and the recreation commission has only the powers granted by statute, K.S.A. 12-1928. The recreation commission cannot purchase real property but can acquire real property by gift.

b. Reimbursed expenses

Certain expenditures are classified as reimbursed expenses. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934. The following expenditures are classified as reimbursed expenses for the year ended June 30, 2010:

General fund	\$ 25,437
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Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable as having been used by or provided to the payee, and
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

c. Basis of accounting

1. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has adopted a resolution in accordance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

2. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

d. Cash and investments

Cash consists of checking accounts and certificates of deposit. The certificates of deposit are carried at cost, which approximates market value.

Cash balances in all funds are considered in determining the amount to be invested and further, unless specifically designated, all investment income is credited to the capital outlay fund.

e. Inventories and prepaid expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

f. Fund descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2010:

1. Governmental funds

- a. General fund - to account for all unrestricted resources except those required to be accounted for in another fund.
- b. Special revenue funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.
- c. Debt service funds - to account for the accumulation of resources for and the payments of, interest and principal and related costs, on general long-term debt. The District had no debt service funds at June 30, 2010.

2. Fiduciary funds

- a. Trust and agency funds - to account for assets held by the District in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature and do not involve measurement of operations. The District had no trust funds at June 30, 2010.

g. Partial prior year comparative information

The financial statements include prior year partial comparative information. Such information does not include all the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which such partial information was derived.

## 2. Stewardship, compliance, and accountability

### a. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the District to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. In June 2010, the District amended the At Risk and Driver Training funds. The At Risk fund was amended from an original budget amount of \$162,840 to \$200,000. The Driver Training fund was amended from an original budget amount of \$7,200 to \$14,200.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following special revenue funds:

- Textbook rental fund
- Contingency reserve fund
- Scholarship fund
- Grant funds

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the District.

b. Compliance with Kansas Statutes

The General Fund showed negative ending unencumbered cash balances of \$309,527 and \$242,118 for the years ended June 30, 2010 and 2009, respectively. Additionally, the Supplemental General Fund showed negative ending unencumbered cash balances of \$49,484 and \$58,740 for the years ended June 30, 2010 and 2009, respectively. K.S.A. 10-1116a provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, be exempt from the cash basis law of the State of Kansas (K.S.A. 10-1113). The District is not deemed to be in violation of the Kansas cash basis law for the years ending June 30, 2010 and 2009.

See Note 11 for presentation of the General Fund and Supplemental General Fund under compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d).

Management is aware of no other statutory violations for the period covered by the audit.

3. Deposits and investments

As of June 30, 2010, the District had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2010.

3. Deposits and investments (continued)

At June 30, 2010, the District's carrying amount of deposits was \$852,510 and the bank balance was \$1,174,931. The bank balance was held by one bank, resulting in a concentration of credit risk. Of the bank balance, \$291,429 was covered by federal depository insurance, and the remaining \$883,502 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4. Long-term debt

In September 2008, the District entered into an Energy Management capital lease agreement. See the following page for more information related to the capital lease.

In March 2009, the Wathena Joint Recreation Commission purchased a 2008 Bad Boy mower for \$8,810. The purchase was financed through the vendor at 0% interest with 12 monthly payments of \$734. In September 2009, the Wathena Joint Recreation Commission refinanced the agreement through Farmers State Bank. The new agreement has terms of 3 annual payments of \$2,164 at a 6.5% interest rate. See the following page for more information.



4. Long-term debt (continued)

Changes in long-term liabilities for the District for the year ended June 30, 2010, were as follows:

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions /payments	Balance end of year	Interest paid
Capital leases:									
Energy lease	4.6%	09/10/08	\$537,913	07/25/23	\$ 537,913	\$ -	\$ (29,214)	\$ 508,699	\$ 20,880
Component unit:									
2008 Bad Boy mower	6.5%	03/25/09	\$8,810	04/01/12	7,351	-	(3,407)	3,944	225
Total long-term debt					\$ 545,264	\$ -	\$ (32,621)	\$ 512,643	\$ 21,105

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Year ended June 30,							Total
	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030
Principal:								
Capital lease:								
Energy lease	\$ 26,694	\$ 27,922	\$ 29,149	\$ 30,547	\$ 31,952	\$ 183,161	\$ 179,274	\$ -
Component unit:								
2008 Bad Boy mower	1,900	2,044	-	-	-	-	-	-
Total principal	28,594	29,966	29,149	30,547	31,952	183,161	179,274	-
Interest:								
Capital lease:								
Energy lease	23,400	22,172	20,945	19,547	18,142	67,309	21,104	-
Component unit:								
2008 Bad Boy mower	264	137	-	-	-	-	-	-
Total interest	23,664	22,309	20,945	19,547	18,142	67,309	21,104	-
Total principal and interest payments	\$ 52,258	\$ 52,275	\$ 50,094	\$ 50,094	\$ 50,094	\$ 250,470	\$ 200,378	\$ -
								\$ 705,663

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	Capital Outlay	K.S.A. 72-6428	\$ 116,780
General Fund	Special Education	K.S.A. 72-6428	375,445
General Fund	At Risk (4 year olds)	K.S.A. 72-6428	30,579
General Fund	At Risk	K.S.A. 72-6428	175,422
General Fund	Vocational Education	K.S.A. 72-6428	60,402
General Fund	Contingency Reserve	K.S.A. 72-6428	<u>37,000</u>
Total transfers from general fund			<u>795,628</u>
Supplemental			
General Fund	Drivers Education	K.S.A. 72-6433	3,938
Supplemental			
General Fund	Food Service	K.S.A. 72-6433	50,000
Supplemental			
General Fund	Special Education	K.S.A. 72-6433	195,000
Supplemental			
General Fund	Vocational Education	K.S.A. 72-6433	<u>10,000</u>
Total transfers from supplemental general fund			<u>258,938</u>
Total interfund transfers			<u><u>\$1,054,566</u></u>

6. Defined benefit plan

1. Plan description

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

6. Defined benefit plan (continued)

2. Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes an average of 7.97% of covered payroll for fiscal year 2009, and an average of 8.57% of covered payroll for fiscal year 2010.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2010, 2009, and 2008 were \$248,468,186, \$242,277,363, and \$220,815,154, respectively, equal to the required contributions for each year.

7. Other post employment benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

8. Compensated absences

Personnel employed on a twelve-month full-time basis are eligible for paid vacation. Full-time classified employees accrue five days of vacation after one year of service, ten days per year after two years of service, and fifteen days per year after seven years of service.

Certified employees accrue sick leave at the rate of seven days per year, with a maximum accumulation of sixty days. Classified employees accrue sick leave at the rate of seven days per year with a maximum accumulation of sixty days. All accumulated sick leave of an employee lapses upon retirement or departure of the employee from the District.

9. Commitments

- a. Noncancelable operating lease - The District entered into an operating lease agreement for two copiers in January 2006. The lease is for a period of 36 months and requires total monthly payments of \$900. This lease was renewed in November 2008. The renewal is for a term of 36 months and requires total monthly payments of \$900.
- b. Noncancelable operating lease - The District entered into an operating lease agreement for a printer in December 2007. The lease is for a period of 36 months and requires total monthly payments of \$75.
- c. Future minimum rental payments required under the noncancelable operating leases as of June 30, 2010 are as follows:

2011	\$	11,250
2012		<u>3,600</u>
Total	\$	<u>14,850</u>

10. Subsequent event

On July 1, 2010, Unified School District No. 406, Wathena, Kansas consolidated with Unified School District No. 486, Elwood, Kansas forming Unified School District No. 114, Riverside.

11. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by these Statutes.

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
For the Year Ended June 30, 2010  
GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
Statutory revenues:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 11,267	\$ 9,646	\$ 17,279	\$ (7,633)
Ad valorem property - current taxes	279,992	280,334	291,062	(10,728)
Delinquent	3,840	4,311	8,687	(4,376)
State aid:				
Equalization aid	2,600,322	2,282,226	2,345,344	(63,118)
Special education services	347,379	375,445	425,000	(49,555)
Federal aid:				
ARRA stabilization	—	143,900	143,900	—
Reimbursed expenses	40,365	25,437	—	25,437
Total statutory revenues	3,283,165	3,121,299	\$ 3,231,272	\$ (109,973)
Expenditures:				
Instruction	1,395,111	1,330,558	\$ 1,333,179	\$ 2,621
Student support services	58,429	44,615	59,325	14,710
Instructional support staff	212,510	178,606	184,500	5,894
General administration	131,796	113,452	128,400	14,948
School administration	287,229	248,303	286,200	37,897
Central services	39,852	31,148	39,375	8,227
Operations and maintenance	343,318	290,990	314,800	23,810
Student transportation services	100,103	87,999	102,000	14,001
Transfers out	714,817	795,628	784,896	(10,732)
Adjustment to comply with legal max	—	—	(136,813)	(136,813)
Legal general fund budget	3,283,165	3,121,299	3,095,862	(25,437)
Adjustment for qualifying budget credits:				
Reimbursements	—	—	25,437	25,437
Total expenditures	3,283,165	3,121,299	\$ 3,121,299	\$ —
Statutory revenues over (under) expenditures	—	—		
Modified unencumbered cash, beginning of year	—	—		
Modified unencumbered cash, end of year	\$ —	\$ —		

11. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET  
For the Year Ended June 30, 2010  
SUPPLEMENTAL GENERAL FUND

	Prior Year Statutory Transactions	Current year		
		Statutory Transactions	Budget	Variance - over (under)
Statutory revenues:				
Taxes and shared revenue:				
Ad valorem property - taxes in process	\$ 6,526	\$ 6,733	\$ 12,232	\$ (5,499)
Ad valorem property - current taxes	177,598	182,577	176,640	5,937
Delinquent	2,360	2,706	5,543	(2,837)
Motor vehicle	23,417	25,793	31,074	(5,281)
Recreational vehicle	335	505	462	43
State aid:				
Equalization aid	343,310	196,449	257,700	(61,251)
Federal aid:				
ARRA stabilization	—	66,745	—	66,745
Total statutory revenues	553,546	481,508	\$ 483,651	\$ (2,143)
Expenditures:				
Instruction	254,215	209,206	\$ 176,945	\$ (32,261)
General administration	209	—	309	309
Operations and maintenance	26,786	18,486	22,486	4,000
Student transportation services	—	—	—	—
Transfers out	268,789	258,938	286,890	27,952
Adjustment to comply with legal max	—	—	—	—
Legal supplemental general fund budget	549,999	486,630	486,630	—
Adjustment for qualifying budget credits	—	—	—	—
Total expenditures	549,999	486,630	\$ 486,630	\$ —
Statutory revenues over (under) expenditures	3,547	(5,122)		
Modified unencumbered cash, beginning of year	6,375	9,922		
Modified unencumbered cash, end of year	\$ 9,922	\$ 4,800		

**ADDITIONAL INFORMATION**

UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS\*  
Year ended June 30, 2010

Federal Grantor/ pass-through grantor/program title	Federal CFDA number	Program or award amount	Beginning unencumbered cash balance	Cash Receipts	Expenditures	Ending unencumbered cash balance	Outstanding encumbrances	Ending cash balance
<u>U.S. Department of Education</u>								
Direct: Rural Education Achievement Program	85.358	\$ 28,529	\$ -	\$ 28,529	\$ 28,529	\$ -	\$ 5,973	\$ 5,973
Passed through Kansas Department of Education:								
Title I, part A cluster:								
Title I grants to LEAs	84.010	55,690	-	55,690	55,690	-	-	-
Title I grants to LEAs, recovery act	84.389	12,316	-	12,316	12,316	-	-	-
Subtotal Title I, part A cluster		68,006	-	68,006	68,006	-	-	-
Safe and drug-free schools and communities	84.186	1,263	128	1,263	1,391	-	9	9
School preparedness	84.302	500	-	500	-	500	-	500
Educational technology state grants cluster:								
Education technology state grants	84.318	444	43	444	487	-	-	-
Education technology state grants, recovery act	84.386	1,093	-	1,093	1,093	-	-	-
Subtotal educational technology state grants cluster		1,537	43	1,537	1,580	-	-	-
Improving teacher quality state grants	84.367	21,151	466	21,151	21,617	-	1,160	1,160
Statewide data systems	84.372	800	-	800	800	-	-	-
State fiscal stabilization fund - education state grants, recovery act	84.394	210,645	-	210,645	210,645	-	-	-
Total U.S. Department of Education		332,431	637	332,431	332,568	500	7,142	7,642
<u>U.S. Department of Agriculture</u>								
Passed through Kansas Department of Education:								
Child nutrition cluster:								
School breakfast program	10.553	20,632	-	20,632	20,632	-	-	-
National school lunch program	10.555	70,384	-	70,384	70,384	-	-	-
Total U.S. Department of Agriculture		91,016	-	91,016	91,016	-	-	-
Total federal assistance		\$ 423,447	\$ 637	\$ 423,447	\$ 423,584	\$ 500	\$ 7,142	\$ 7,642

\*Note 1 on page 38 is an integral part of this Schedule of Expenditures of Federal Awards.

See Independent Auditors' Report



UNIFIED SCHOOL DISTRICT NO. 406, WATHENA, KANSAS  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2010

1. Basis of accounting

a. Statutory basis of accounting

The statutory basis of accounting, as used in the preparation of this schedule of expenditures of federal awards, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The District has adopted a resolution in accordance with K.S.A. 75-1120a(c)(1) to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the District to utilize the statutory basis of accounting.

b. Departure from accounting principles generally accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, and cash and unencumbered cash balances.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America.